

L-119

JUL 16, 1987
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AGENDA

INTERAGENCY WORKING GROUP ON FREELY ASSOCIATED STATE AFFAIRS

MEETING

THURSDAY, JULY 16, 1987

- I. PALAU
 - PLEBISCITE
 - GOVT LAYOFFS/FISCAL YEAR SHORTFALL
 - 20/20
 - NEXT STEPS
- II. MARSHALLS
 - COURT CASES
 - BOND ISSUE
- III. FSM
 - NEW GOVERNMENT
 - POST-SECONDARY EDUCATION ASSISTANCE
- IV. JOINT COMMITTEE MEETING ^{Compact} ~~session~~ *it security consultative committee*
- V. UPDATE ON U.S. REPRESENTATION IN FAS AND PALAU
- VI. UPDATE ON TTPI/ADMINISTRATION PLANS
- VII. CONGRESSIONAL INTEREST/ACTION
 - 8/4 DE LUGO HEARING
- VIII. FAS REPAYMENT OF BILLS
 - PRIVATE
 - TRIPLER
- VIX. INTERNATIONAL RECOGNITION
- X. 131/132 COMPETENT AUTHORITY
- XI. OTHER ITEMS
 - CONFERENCES, TRAVELS, CLEARANCE, ETC.

John Rudolph's Fibs
Letter Fibs
Letters- Marshall Islands-1987

UNCLASSIFIED

Department of State

INCOMING
TELEGRAM

PAGE 01 KOROR 00345 150143Z
ACTION EAP-00

9424 EAP7928

KOROR 00345 150143Z

9424 EAP7928

ACTION OFFICE PIA-01

INFO PHL-02 P-01 EX-01 ADM-01 PMO-01 RA-01 LAB-01 UN-01
PMU-01 EAP-05 X-01 /019 A2 WMCB

INFO LOG-00 COPY-01 ADS-00 INR-12 CS-00 CIAE-00 DINT-05
DODE-00 H-01 MCC-01 NCC-00 NSAE-00 SSO-00 MA-09
L-03 TPSE-00 PM-10 PA-02 OMB-01 INRE-00 USCIE-00
SP-02 SMP-01 C-01 PRG-01 OS-01 DSE-00 SCT-02
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FM USOFFICE KOROR
TO SECSTATE WASHDC PRIORITY 0046
COMNAVHARRIANAG PRIORITY
CINCPAC HONOLULU HI
INFO AMEMBASSY MANILA PRIORITY
USOFFICE KOLONIA PRIORITY

UNCLAS KOROR 00345

SECSTATE PASS TO INTERIOR FOR OTIA
CINCPAC FOR FOREIGN POL ADVISOR

E.O. 12356: NA
TAGS: PREL, PGDV, PINS, ASEC, PS
SUBJ: KOROR SITREP 15 JULY

1. RUMORS OF IMPENDING VIOLENCE DIRECTED AGAINST ANTI-COMPACT LEADERS ARE FLYING EVERYWHERE IN KOROR. THE THREATS HAVE BECOME VERY SPECIFIC BOTH IN TIME AND TYPE OF THREAT: IF NO RESOLUTION OF THE FINANCIAL CRISIS IS RECEIVED BY THIS WEEKEND, THE OPPOSITION LEADERS' HOUSES WILL BE BURNED. AS PREVIOUSLY REPORTED, HOUSE SPEAKER OLIKONG WAS REPORTEDLY MOVED OUT OF HIS HOUSE AND IS STAYING WITH (THEORETICALLY UNTOUCHABLE) IBEDUL. THE TIME TO WATCH, ACCORDING TO NEARLY ALL SOURCES, IS FRIDAY NIGHT OR SATURDAY NIGHT. PRESIDENT SALII BOTH PUBLICLY AND PRIVATELY HAS APPEALED FOR CALM AND NON-VIOLENCE. THE PROTESTERS HAVE REPORTEDLY GIVEN HIM ASSURANCES THAT THEIR INTENTIONS ARE PEACEFUL AND THAT THEY WILL NOT TAKE ANY ACTIONS INVOLVING PERSONAL VIOLENCE. THE CHIEFS FROM HIGHEST TO LOWEST ARE TO MEET IN KOROR THURSDAY TO APPEAL FOR CALM AND NON-VIOLENCE, A PROCESS THAT IS CONSIDERABLY MORE LIKELY TO ENSURE CALM THAN PUBLIC STATEMENTS BY ELECTED OFFICIALS. COMMENT: THE THREAT REMAINS THAT ANTI-COMPACT FORCES OUT TO DISCREDIT THE PRO-COMPACT STRIKERS MAY RESORT TO VIOLENCE AGAINST THEIR OWN AND BLAME IT ON THE PRO-COMPACT GROUP. END COMMENT

2. NO THREATS OR EVEN HINTS HAVE BEEN HEARD AGAINST OFFICIAL AMERICANS IN KOROR, MEANING THE LIAISON OFFICE OR THE NAVY SEABEE CIVIC ACTION TEAM. HOWEVER OTHER EXPATRIATES LIVING IN KOROR HAVE MADE CONTINGENCY PLANS FOR TAKING COVER IF PROTESTS GET OUT OF HAND. LIAISON OFFICE AND RESIDENCE ARE GUARDED AT NIGHT, AND THE SEABEE DETACHMENT IS STAYING IN CAMP AFTER DARK AS A PRECAUTION.

3. THE DEK MET TUESDAY TO CONSIDER OPTIONS FOR RESOLVING THE CONSTITUTIONAL AND FINANCIAL CRISIS. ONE OPTION (REPORTEDLY PREFERRED BY THE SALII ADMINISTRATION) IS FOR YET ANOTHER VOTE ON FREE ASSOCIATION WITH THE PREVIOUS ANTI-COMPACT FORCES IN CHARGE OF THE VOTE AND SUPPORTING THE COMPACT. A MORE LIKELY SCENARIO IS FOR THE ANTI-COMPACT FORCES TO CALL FOR A CONSTITUTIONAL AMENDMENT IMMEDIATELY TO SUSPEND THE ANTI-NUCLEAR PROVISIONS OF THE CONSTITUTION. SUCH AN AMENDMENT WOULD OF COURSE BE SUBJECT TO A COURT CHALLENGE, AND THE LIKELIHOOD OF THE COURT'S UPHOLDING THE AMENDMENT IS AN UNANSWERABLE QUESTION AT THIS TIME.

4. THIS MESSAGE IS SENT UNCLASSIFIED TO FACILITATE TRANSMISSION. LIAISON OFFICER REQUESTS THAT THE TEXT OR SUBSTANCE NOT BE SHARED WITH NON-USG SOURCES. WARREN

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THE SECRETARY OF THE INTERIOR
WASHINGTON

ORDER NO. 3119

Subject: Continuation of the Government of the Trust Territory
of the Pacific Islands

Sec. 1. Purpose. The purpose of this Order is to define the extent and nature of the authority of the Government of the Trust Territory of the Pacific Islands, consistent with the responsibilities of the Secretary under Executive Order 11021, and Presidential Proclamation 5564 of November 3, 1986, until such time as the 1947 Trusteeship Agreement, under which the United States undertook to act as Administering Authority for the Trust Territory of the Pacific Islands, becomes inapplicable in the Trust Territory of the Pacific Islands. The President of the United States in Proclamation 5564 declared that the Trusteeship Agreement for the Pacific Islands is no longer in effect as of October 21, 1986, with respect to the Republic of the Marshall Islands, as of November 3, 1986, with respect to the Federated States of Micronesia, and as of November 3, 1986, with respect to the Northern Mariana Islands. Until the future political status of Palau is resolved, the United States will continue to discharge its responsibilities as Administering Authority under the Trusteeship Agreement.

Sec. 2. Delegation of Authority. Until the Trusteeship Agreement is no longer applicable to Palau, and subject to the limitations contained in this Order and in existing treaties, laws, and regulations of the United States generally applicable in the Trust Territory of the Pacific Islands, executive, legislative, and judicial functions of the Government of the Trust Territory of the Pacific Islands are, except as otherwise provided herein, hereby delegated to the Government of Palau established pursuant to the Constitution of Palau as approved by the citizens thereof.

Sec. 3. Government of the Trust Territory of the Pacific Islands. The Office of the High Commissioner of the Trust Territory of the Pacific Islands is abolished as of the effective date of this Order. Simultaneously with the abolishment of the Office of the High Commissioner, the authority of the Secretary of the Interior as respects the Trust Territory is hereby delegated to the Assistant Secretary - Territorial and International Affairs, who shall assume and exercise the authority of the Office of the High Commissioner, and shall have the authority to redelegate all such authority.

Sec. 4. Retained Functions.

a. Administration. The Assistant Secretary - Territorial and International Affairs shall continue to exercise all authority necessary to carry out the obligations and responsibilities of the United States under the 1947 Trusteeship Agreement, in order to ensure that no actions are taken that would be inconsistent with the provisions of the Trusteeship Agreement, this Order, and with existing treaties, laws, regulations, and agreements generally applicable in the Trust Territory of the Pacific Islands. This authority shall include, but not be limited to:

(1) Budget. All budget submissions from Palau for appropriations from the Congress of the United States shall be subject to the approval of, and submitted to and through, the Assistant Secretary - Territorial and International Affairs in accordance with rules and regulations in respect thereto. The Assistant Secretary - Territorial and International Affairs shall make grants of financial assistance to Palau in such amounts as may be appropriated and subject to such terms and conditions as may be imposed.

(2) Auditing and Accounting. The Assistant Secretary, after audit by the Inspector General, Department of the Interior, or other authorized officials, shall have the authority to require compliance with proper accounting principles and audit recommendations, and may settle accounts as recommended by the Inspector General. Disagreements shall be resolved in accordance with 361 DM 1 and 2.

(3) Relations with other United States Government Agencies and Foreign Governments. Communications and relationships of Palau with agencies of the United States Government and with foreign governments and organizations shall be through the Assistant Secretary - Territorial and International Affairs and the Secretary of the Interior except in those specific cases in which a different procedure is approved by the Secretary of the Interior. Communications with foreign governments and international organizations shall be transmitted by the Department of State to the foreign government or international organization concerned.

(4) Telecommunications. The Assistant Secretary shall continue to have authority and responsibility for the operation and maintenance of telecommunications within Palau in accordance with treaties, laws, and regulations of the United States applicable to Palau.

(5) Staffing. The Assistant Secretary shall have the authority to hire such professional and administrative staff as may be necessary to carry out the duties and responsibilities of the Office of Assistant Secretary and to organize such Office so as to enable it to effectively carry out those duties and responsibilities.

b. Other. The Assistant Secretary shall also carry out such other duties as the Secretary of the Interior may from time to time prescribe.

Sec. 5. Legislation.

a. All laws of Palau shall be submitted to the Assistant Secretary within ten (10) days after being approved by the President of Palau. If the Assistant Secretary decides to suspend such law, or part thereof, the President of Palau shall be promptly, but no later than twenty (20) days after receipt of such law, notified of the reasons for suspending such law, or part thereof. The Assistant Secretary shall exercise this power only if such law, or part thereof, is inconsistent with the provisions of this Order, the Trusteeship Agreement, with existing treaties, laws, and regulations of the United States generally applicable to Palau. The decisions of the Assistant Secretary in this respect shall be final, subject only to an appeal to the Secretary.

b. No law shall take effect until the period during which the Assistant Secretary may suspend the law has expired unless the Assistant Secretary earlier notifies the President of Palau that the authority to suspend the law will not be exercised. A law or any part thereof so suspended shall be null and of no effect.

Sec. 6. Judicial.

a. The Appellate Division of the High Court of the Trust Territory of the Pacific Islands shall retain jurisdiction by writ of certiorari to entertain appeals from the Appellate Division of the Supreme Court of Palau with respect to suits against the Trust Territory of the Pacific Islands Government, the High Commissioner, or the Assistant Secretary as regards the administration of the Trust Territory. The ruling of the High Court of the Trust Territory of the Pacific Islands upon all appeals shall be final, binding, and enforceable in accordance with its terms.

b. The High Court of the Trust Territory of the Pacific Islands is hereby given jurisdiction to effect the judicial enforcement of the Occupational Safety and Health Act of 1970 (P.L. 91-596; 84 Stat. 1590) in Palau.

Sec. 7. Effective Date. This Order becomes effective at 12:00 midnight on July 10, 1987.

Sec. 8. Prior Orders. Except for the limitations on taxing authority contained in Section 2 of Part III of Secretarial Order No. 2918, as amended, Secretarial Orders No. 2918, as amended, No. 3027, and No. 3039, as amended, are superseded on the effective date of this Order.

A handwritten signature in cursive script, reading "Donald Paul Hodel".

DONALD PAUL HODEL

Date: July 10, 1987



Office of the President
THE MARSHALL ISLANDS

8719711

July 8, 1987

The Honorable George P. Shultz
 Secretary of State

and

The Honorable Donald P. Hodel
 Secretary of Interior
 Government of the United States
 Washington, D.C.

Dear Gentlemen:

I am writing concerning my Government's effort to close a 65 million dollar general obligation bond to be placed with various United States institutional lenders for the purpose of refinancing the Republic's existing debts. The bulk of our current debts was incurred during the last years of the Trusteeship, when it was necessary and appropriate for my Government to take charge of economic development policy for the Marshall Islands. The projects we implemented have done much to solve transportation, communication and energy problems which have hampered economic development in the past.

We are very proud of what we have accomplished and of the fact that my Government has decided that the first priority in the use of the funds available under the Compact will be to put our financial house in order. At a time when other governments in developing countries are embarking upon grandiose schemes or asking for a bail out, the Republic of the Marshall Islands has negotiated a modest and responsible long-term financial program based upon a carefully structured bond and our official economic development plan.



Under the terms of the implementing agreement concluded pursuant to the Compact of Free Association, it is required that the Marshall Islands give notice to the United States of certain elements of the transaction which has been negotiated. In addition to execution of appropriate written acknowledgments, my Government has requested that officials of the United States Government provide to the lenders written confirmation as to certain terms of the Compact and its related agreements as they relate to the bond. In light of the unprecedented nature of the Free Association relationship defined in the agreement between our governments, I believe the lenders' requirements for United States confirmation of Compact arrangements are understandable.

Based upon the provisions of your domestic legislation governing implementation of the Compact by your Government, statements made by ranking representatives of the Reagan Administration and our consultation with members of Congress and their staff representatives, we understand it to be the policy of the United States Government generally and specifically in the use of Compact funds by the Freely Associated States to encourage, and where possible facilitate responsible business transactions involving United States business interests. We believe the bond we are attempting to close reflects the type of arrangement which the United States seeks to encourage, and the acknowledgment and letters we have requested are for the purpose of facilitating this transaction.

Thus, as we prepared to come to closing on the bond we requested that Mr. James D. Berg, Director of the Office of Freely Associated States Affairs, provide the lenders with written confirmation of certain terms of the Compact. I am pleased to inform you that Mr. Berg has complied with this request, and I wish to express my appreciation for the State Department's assistance in this regard.

However, in light of the internal arrangements which have been made by the United States to implement the Compact through an inter agency process as provided for in P.L. 99-239 and Executive Order 12569 of October 16, 1986, we have requested that the additional document which my



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Government views as essential to this transaction be jointly executed by Mr. Berg and an appropriate representative of the Department of Interior. This is due to the fact one of the responsibilities of the Department of Interior under P.L. 99-239 is to transfer Compact funding to the Marshall Islands, and the lenders require confirmation of Compact funding matters.

My Government, which has been involved in negotiating the bond issue for over a year and half, has regularly apprised concerned United States Government officials of the nature and progress of the proposed transaction, and has indeed been encouraged to provide for the orderly repayment of our outstanding debts in such a manner.

Consequently, approximately four weeks ago our counsel and counsel to the lenders had consultations with Mr. Berg and representatives of the Office for Territorial and International Affairs, Department of Interior, aimed at reaching an understanding on execution of all required documents at a time which would coincide with closing of the bond.

Although we are aware of no significant substantive objections to the terms of the bond or the document we have requested, I am now advised that the Department of Interior has been unable to assent to execution of the document we have requested. Thus, I am writing to you to request urgently that the Secretary of State, as Cabinet officer responsible for overall government to government relations with the Republic of the Marshall Islands and the Secretary of Interior, as Cabinet officer responsible for administering of Compact funding, act to bring about prompt resolution of this matter in a manner which assists and supports the efforts of my Government consistent with the terms of the political, economic and strategic partnership we have established under the Compact.

Gentlemen, our budgetary and economic planning for the past year has been predicated upon this bond. The FY-1988 budget session of my Cabinet has been postponed while my Minister of Finance and Attorney General remain in Washington. Each day of delay results in additional interest and closing expense, and we are facing a July 20 deadline from the lenders on their commitment to favorable interest rates.



It cannot be overstated, therefore, that this matter is of critical and urgent national concern to my Government. It would be a most grave disappointment to the Republic of the Marshall Islands, and would disrupt implementation of the Compact by my Government, if this matter cannot be resolved in favor of cooperation in our mutual interest within the next few days. It is for this reason that I have brought this matter directly to your joint attention.

President Reagan has referred to the Compact as a "partnership" which enables the Freely Associated States to participate in the "...enterprise of self-government...". It is in the spirit of the President's remarks that the Republic of the Marshall Islands is seeking the affirmative support of the United States in pursuing our national economic development objectives by affirming the terms of our relationship.

Thank you for your assistance in this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Amata Kabua", with a long horizontal line extending to the right.

Amata Kabua
President

INTERAGENCY WORKING GROUP
ON FREELY ASSOCIATED STATE AFFAIRS

Department of State, Washington, D.C. 20520

James D. Berg	EAP/FAS Room 5317	647-0108 Fax 647-0118
Gil Kulick	IO/UNP Room 6334	647-1316 Fax 647-6510
Sam Witten	L/UNA Room 5424A	647-7872

Department of Interior, Washington, D.C. 20240

Larry Morgan	TIA Room 4328	343-3003 Fax 343-1390
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Department of Defense, Washington, D.c. 20301

Philip Barringer	OASD/ISA/FMRA Room 4D830	695-6386 Fax 697-5572
Chuck Downs	OASD/ISA/EAP Room 4B868	697-3245

Office of the Joint Chiefs of Staff, Washington, D.C. 20301

Capt. Mel Wright, USN	Joint Staff - J5 Room 2E976	695-3289
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Department of Justice, Washington, D.C. 20530

Herman Marcuse, Esq.	OLC D/J Room 5230	633-2055 Fax 789-2331
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Office of Management and Budget, Washington, D.C. 20530

Bruce Sasser	Chief, STATE/USIA Room 8225	395-4580 Fax 395-3130
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National Security Council, Washington, D.C. 20503

Doug Paal	Asian Affairs Room 493, OEOB	395-5746
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U.S. Information Agency, Washington, D.C. 20547

Daniel Scherr	EA & Pacific Room 766	485-7837 Fax 554-0836
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Department of Energy, Washington, D.C. 20585

Dennis Bevans	Intgov. Affairs	586-1610
	Room 8G026, CP-23 Fax	586-5049
Trisha Dedik Chico	Defense Programs	353-5553

Department of Commerce, Washington, D.C. 20230

Tony Costanzo	ITA, Pacific Basin	377-3646
	Room 2310 Fax	377-5270

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IMMEDIATE CABLE

ACTION: USOFFICE KOROR
USOFFICE KOLONIA
USOFFICE MAJURO
AMEMBASSY CANBERRA
AMEMBASSY WELLINGTON
AMEMBASSY SUVA
AMEMBASSY TOKYO
AMEMBASSY LONDON
AMEMBASSY PARIS
USUN NEW YORK
CINCPACREP GUAM/FAS/TTPI
CINCPAC HONOLULU HI

1. TEXT OF PARAS 2 THRU 4 WILL BE RELEASED 17 JULY AS A DEPARTMENT PRESS RELEASE. POSTS ARE ENCOURAGED TO RELEASE TEXT EITHER IN RESPONSE TO INQUIRIES ON PALAU SITUATION OR AS BACKGROUND TO LOCAL MEDIA.

2. BEGIN TEXT. PALAU JUNE 30, 1987 PLEBISCITE ON THE COMPACT OF FREE ASSOCIATION. IN A PLEBISCITE ON THE COMPACT OF FREE ASSOCIATION HELD BY THE GOVERNMENT OF PALAU ON JUNE 30, 1987, THE PEOPLE OF PALAU VOTED BY 67.5% IN FINAL UNOFFICIAL RESULTS IN FAVOR OF THE COMPACT OF FREE ASSOCIATION. THE COMPACT, WHICH HAS BEEN CONSIDERED BEFORE BY THE PALAUAN PEOPLE, WOULD ESTABLISH A FREE ASSOCIATION RELATIONSHIP BETWEEN PALAU AND THE UNITED STATES. UNDER THE COMPACT, PALAU WOULD BE A SOVEREIGN, SELF-GOVERNING NATION WITH RESPONSIBILITY FOR ITS FOREIGN AND DOMESTIC AFFAIRS. THE UNITED STATES WOULD GUARANTEE THE DEFENSE OF PALAU AND PROVIDE ECONOMIC ASSISTANCE UNDER TERMS SPECIFIED IN THE COMPACT. THE COMPACT HAS BEEN APPROVED BY THE UNITED STATES CONGRESS.

3. THE PALAU CONSTITUTION HAS BEEN INTERPRETED BY THE PALAU SUPREME COURT TO REQUIRE THAT THE COMPACT BE APPROVED BY A 75% MAJORITY BEFORE IT CAN ENTER INTO FORCE. THUS, ON THE BASIS OF THE JUNE 30 PLEBISCITE, THE UNITED STATES AND PALAU ARE UNABLE TO IMPLEMENT THE NEW RELATIONSHIP. UNTIL THE COMPACT CAN ENTER INTO FORCE, THE UNITED NATIONS TRUSTEESHIP AGREEMENT UNDER WHICH THE UNITED STATES HAS ADMINISTERED PALAU SINCE 1947 WILL REMAIN IN EFFECT AS TO PALAU. THE UNITED STATES HAS REAFFIRMED ITS POSITION THAT THE COMPACT SHOULD ENTER INTO FORCE ONLY ON THE BASIS OF THE FREELY EXPRESSED WISHES OF THE PEOPLE OF PALAU. THE JUNE 30, 1987 PLEBISCITE, LIKE PAST VOTES ON THE COMPACT, WAS OBSERVED BY A VISITING MISSION OF THE UNITED NATIONS.

4. THE UNITED STATES WILL CONTINUE TO MEET ITS RESPONSIBILITIES TOWARD PALAU AS ADMINISTERING AUTHORITY IN ACCORDANCE WITH THE TERMS OF THE TRUSTEESHIP AGREEMENT. IN KEEPING WITH OBJECTIVES OF THE TRUSTEESHIP, THE UNITED STATES WISHES TO JOIN PALAU PRESIDENT LAZARUS SALII'S CALL FOR CALM PENDING COMPLETION OF PALAU'S CONSTITUTIONAL PROCEDURE FOR IMPLEMENTATION OF THE POST-

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TRUSTEESHIP POLITICAL STATUS CHOSEN BY THE PEOPLE. IN THIS REGARD, THE UNITED STATES ~~WOULD REGRET, AND WOULD COOPERATE WITH~~ LOCAL PALAUAN AUTHORITIES TO PREVENT OR TERMINATE, ANY VIOLENCE OR UNLAWFUL MEANS INTENDED TO BRING ABOUT POLITICAL RESULTS IN PALAU. A PRINCIPAL OBJECTIVE OF THE TRUSTEESHIP IS THE PROMOTION OF A PEACEFUL TRANSITION IN PALAU FROM TRUSTEESHIP TO SELF-GOVERNMENT. THE UNITED STATES IS COMMITTED TO ENSURING THAT THIS OBJECTIVE IS MET. END TEXT.!!!!

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Department of State

OUTGOING
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PAGE 01 STATE 217932 7076 EAP9813
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INFO AMZ-02 CM-04 IMES-02 J-05 K-03 PNL-02 PIA-02 TB-02
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AIT-02 PA-02 UCIE-00 PRS-01 OIG-01 /033 R

DRAFTED BY: EAP/FAC.NLMILLS

APPROVED BY: EAP/FAC.JOBERG

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FM SECSTATE WASHDC

INFO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS PRIORITY
CINCPAC HONOLULU

UNCLAS STATE 217932

CINCPAC FOR FPA FINNEY

E.O. 12356: N/A

TAGS: OPRC, PGOV, PS

SUBJECT: ABC NEWS "20/20" PROGRAM ON PALAU

1. JULY 2 ABC NEWS "20/20" PROGRAM ON PALAU ALLEGED USG CONSPIRACY TO BANKRUPT PALAU BY ENCOURAGING THAT GOVERNMENT TO CONTRACT FOR A POWER PLANT WHICH IT COULD NOT AFFORD. ACCORDING TO ABC, PLOT ASSUMED BANKRUPT PALAU WOULD BE FORCED TO WAIVE NUCLEAR PROVISIONS OF ITS CONSTITUTION AND APPROVE USG MILITARY RIGHTS UNDER COMPACT OF FREE ASSOCIATION IN ORDER TO GET COMPACT FUNDING. FINALLY, ABC ALLEGES THAT ASSASSINATION OF PALAU'S FIRST PRESIDENT IN 1985 WAS A RESULT OF PRESIDENT REMELIUK'S INTENTION TO EXPOSE POWER PLANT PLOT. POSTS SHOULD BE PREPARED TO RESPOND TO INQUIRIES ALONG LINES OF INFORMATION PROVIDED IN PARAS 2-5. MORE DETAILED FACTUAL AND POLICY GUIDANCE WILL BE PROVIDED BY DEPARTMENT UPON REQUEST.

2. PRESIDENT REMELIUK AND THE COMPACT. THE ABC NEWS PROGRAM ATTEMPTING TO LINK THE ASSASSINATION OF PRESIDENT REMELIUK TO NEGOTIATIONS ON PALAU'S POLITICAL STATUS AND PALAU'S POWER PLANT PROJECT WAS BASED UPON INCORRECT AND MISLEADING STATEMENTS. IN BOTH OF HIS SUCCESSFUL CAMPAIGNS FOR THE PRESIDENCY OF PALAU, REMELIUK RAN ON A PRO-COMPACT PLATFORM AND WAS ONE OF THE STRONGEST SUPPORTERS IN PALAU

OF THE COMPACT. UPON HIS DEATH HIS CHIEF COMPACT NEGOTIATOR WAS ELECTED PRESIDENT IN THE LARGEST ELECTORAL VICTORY IN PALAU'S HISTORY. ALTHOUGH 75 PERCENT APPROVAL OF THE COMPACT HAS NOT BEEN ACHIEVED, THE COMPACT HAS BEEN APPROVED BY TWO-THIRDS OF THE PEOPLE ON FIVE OCCASIONS. THUS, THE USG POLICY OF SUPPORTING PALAU'S EFFORTS TO IMPLEMENT THE COMPACT IS CONSISTENT WITH THE FREELY EXPRESSED WISHES OF THE PEOPLE AND THE POLICIES OF THEIR ELECTED LEADERS. THE NUCLEAR ISSUE ITSELF WAS CONTROVERSIAL ONLY WHEN THERE WERE DIFFERING INTERPRETATIONS OF THE CONSTITUTION. ONCE PALAU'S COURT RULED ON THAT QUESTION THE DEBATE IN PALAU HAS FOCUSED ON COMPACT FUNDING LEVELS AND LOCAL POLITICS. THE COMPACT FOR PALAU HAS BEEN APPROVED BY THE US CONGRESS.

3. ALTHOUGH THE USG DISCOURAGED THE POWER PLANT PROJECT ABSENT CLARIFICATION OF ITS FINANCIAL TERMS, REMELIUK AND THE NATIONAL LEGISLATURE WERE COMMITTED TO GO FORWARD AND REGARDED USG OPPOSITION AS INTERFERENCE IN INTERNAL MATTERS. AT PALAU'S REQUEST THE USG AGREED TO SUPPORT IN PRINCIPLE PALAU'S EFFORTS TO IMPROVE ITS POWER SUPPLY, BUT THE USG ADOPTED A POLICY OF MERELY PROVIDING ACCURATE IN-

FORMATION ON FUNDING AVAILABLE TO PALAU UNDER THE TRUSTEESHIP AND EXPECTED UNDER THE COMPACT. THE USG PUT ALL PARTIES ON NOTICE THAT IT WAS NOT RESPONSIBLE FOR OBLIGATIONS INCURRED BY PALAU. IN LIGHT OF THE REQUIREMENT IN PALAU'S CONSTITUTION THAT THE CAPITAL OF PALAU BE MOVED TO A CURRENTLY UNINHABITED AREA, AS WELL AS THE POTENTIAL FOR ECONOMIC DEVELOPMENT IN THAT AREA, THE ABC CONTENTION THAT THE POWER PLANT IS LARGER THAN NEEDED IS UNFOUNDED. WHILE IT HAS BEEN ALLEGED THAT THE BRITISH PROMOTERS OF THE PROJECT MADE EXAGGERATED CLAIMS ABOUT REVENUES FROM THE PLANT, AND THE PLANT HAD BEEN A LEGALLY AND POLITICALLY CONTROVERSIAL POLICY OF THE GOVERNMENT OF PALAU, THERE IS NO EVIDENCE THAT REMELIUK CHANGED HIS POSITION OF SUPPORT AND LEADERSHIP WITH RESPECT TO THE POWER PLANT PRIOR TO HIS MURDER.

4. PALAU'S CURRENT ECONOMIC PROBLEMS ARE NOT ATTRIBUTABLE TO THE POWER PLANT PROJECT. INDEED, PALAU HAS NOT MADE PAYMENT ON THE POWER PLANT, WHICH IS THE SUBJECT OF LITIGATION. PALAU RECEIVES APPROXIMATELY \$15 MILLION IN U.S. GRANTS AND PROGRAMS EACH YEAR FOR A RESIDENT POPULATION OF 15,000. THE CURRENT DEFICIT OF THE GOVERNMENT OF PALAU IS A RESULT OF OVER SPENDING. THE FACT THAT THE USG HAS AGREED IN THE COMPACT TO INCREASE FUNDING IS NOT ECONOMIC COERCION, AS SOME ALLEGE. RATHER, COMPACT FUNDING ACCOMMODATES THE REQUESTS OF PALAU'S NEGOTIATORS FOR FUNDS SUFFICIENT TO PROMOTE ECONOMIC DEVELOPMENT IN PALAU WHILE ALSO MAINTAINING AND IMPROVING SOCIAL SERVICES.

5. PALAU'S COURTS CONVICTED THE ASSASSINING OF PRESIDENT REMELIUK, AND THAT CONVICTION HAS BEEN APPEALED. THE MATTER OF THE ARREST AND CONVICTION OF THE ASSASSIN, AS WELL AS THE APPEAL THEREOF, ARE MATTERS WITHIN THE CONTROL AND AUTHORITY OF THE GOVERNMENT OF PALAU, AND ARE BEING HANDLED IN ACCORDANCE WITH PALAU'S CONSTITUTIONAL PROCESS.

6. ON JUNE 30 PALAU CONDUCTED ITS FIFTH REFERENDUM ON THE COMPACT, AND ONCE AGAIN IT WAS APPROVED BY A SUBSTANTIAL MAJORITY (UNOFFICIAL RESULTS: 67.5 PERCENT). ALTHOUGH THIS DOES NOT SATISFY PALAU'S CONSTITUTIONAL REQUIREMENT FOR 75 PERCENT APPROVAL, IT IS A CLEAR EXPRESSION OF THE WILL OF THE MAJORITY OF PALAUANS. THE UNITED STATES HAS COMPLETED ITS APPROVAL PROCESS FOR THE COMPACT AND IS READY, WILLING AND ABLE TO PUT THE COMPACT INTO EFFECT WHEN PALAU HAS COMPLETED ITS APPROVAL IN ACCORDANCE WITH ITS CONSTITUTION. UNTIL THAT OCCURS, THE UNITED STATES WILL CONTINUE TO FULFILL ITS RESPONSIBILITIES AS ADMINISTERING AUTHORITY OF THE TRUSTEESHIP FOR PALAU. SHULTZ

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